

1.99
Ad 422 CP
K90
Release for Afternoon Papers
Saturday, December 29, 1934

LIBRARY
RECEIVED
★ JAN 18 1935 ★
U. S. Department of Agriculture

THE CONSUMER'S PLACE IN THE ORGANIZATION
OF THE NEW DEAL

Address of Thomas C. Blaisdell, Jr., Assistant
Director, Consumers' Counsel, Agricultural Ad-
justment Administration, and Acting Executive
Director, N.R.A. Consumers' Advisory Board,
before American Statistical Association,
Chicago, Ill., Saturday morning, December 29, 1934.

There is only one fact in connection with this topic of which I am certain. Whatever the reason there is wider recognition today of the significance of the consumer in relation to the broad aspects of economic policy than existed two years ago when the Democratic Administration came into power. Part of my function this morning is to clarify why this is so. The second part of my function is to indicate the development of governmental machinery within the organization of the New Deal which is particularly concerned with the consumer.

It must be frankly recognized that previous to the New Deal there existed within the government a small number of bureaus which have given real attention to the problems of the consumer. Outstanding among these are the Bureau of Home Economics and the Food and Drugs Administration of the Department of Agriculture. Other bureaus, such as the Bureau of Mines, the Bureau of Standards, the Bureau of Agricultural Economics, and Public Health Service, have also given attention specifically to consumer problems. However, in general, this phase of their activities has always been relegated to a minor position. The bureaus have been concerned primarily with the approach to their problems from the standpoint of producers. To anyone acquainted with the relations of organized producer groups and the government, this development is easily understood. Organized producer groups have been in a position both by means of economic pressure and political pressure to insist that their particular interests should be taken account of. The consumer interest has been so diffused that it is only when it has been directly connected with the interest of some producer group that it has spoken with any authority. For example, the Consumers' League has been primarily an organization of consumers for the purpose of improving the working conditions of labor groups. Hence, we have the emphasis of such a group on adequate health standards for workers, adequate sanitary conditions in manufacturing establishments, the abolition of sweat-shop conditions and other

RECEIVED
JAN 10 1900

THE UNIVERSITY OF CHICAGO
LIBRARY

THE UNIVERSITY OF CHICAGO
LIBRARY
JAN 10 1900

THE UNIVERSITY OF CHICAGO
LIBRARY
JAN 10 1900

THE UNIVERSITY OF CHICAGO
LIBRARY
JAN 10 1900

THE UNIVERSITY OF CHICAGO
LIBRARY
JAN 10 1900

similar activities. Another example of the same type of pressure is the pressure for simplified industrial practices, the establishment of grading and standardization procedures which have been fostered by the American Standards Association. The consumer interest has been considered primarily because some group of producers can be shown to benefit by an activity which will also benefit the consumer. Another example of such an interest is indicated by the arguments which have been used by the Consumers' Advisory Board in endeavoring to secure adequate grading and labeling provisions in codes of fair competition established under the National Industrial Recovery Act. The arguments have always run that if there is to be fair competition between producers this can be most easily secured by placing the competition between these producer groups on the same plane by means of standards and labels which will be known and readily recognized by consumers.

The extent to which this conception of producer interest has gone is shown by the activities of the Federal Trade Commission in their attempts to prohibit unfair methods of competition under the Federal Trade Commission Act. Challenges of the Commission's orders prohibiting certain types of advertising and prohibiting certain practices have been upheld by the courts on the ground that injury to the consumer is not ipso facto unfair competition. The unfair competition arises only out of injury to a trade competitor as a result of a particular practice or a particular type of advertising.

What I am trying to demonstrate is that the approach to the protection of the consumer through the producing groups is deeply embedded in our social thinking. To the economists present, this is not news. In fact much of our economic thinking has been postulated on the premise that by means of competition between producer groups the consumer is most adequately protected. The extent to which the thinking of the community at large, and particularly the intellectual trained community, has been directed by this type of economic approach is impossible to judge. My own guess is that it has been a very important factor.

The New Deal is one evidence that much of the economic thinking of the past has come into question. The community at large is well aware that the ideal competition about which so much has been written is not the competition which exists in modern business activity. Monopoly has been evident on every hand. Long before the anti-trust laws were officially waived by the enactment of the National Industrial Recovery Act, the courts and the administrative decisions of the Department of Justice and other government agencies had already waived those Acts. It is also fairly well recognized among economists today that anti-trust laws themselves have probably been an important factor in the development of corporate forms and trade organizations which establish executive controls over competitive practices and in some cases establish bona fide monopolies. All this the New Deal has only brought into the open. While the establishment of code authorities

under the National Recovery Administration may have stimulated inter-business organization with its inherent danger, it is also perfectly clear that many of the practices which have become better known since the organization of the National Recovery Administration have long been prevalent. If they are to be regulated or abolished they must first be frankly recognized.

This recognition of the realities of the economic situation regarding industrial organization carried with it a concomitant, namely, that under the existence of legalized monopoly or combination the protection of the consumer must be found some place else than in the automatic workings of the competitive system. In order that I may not be misunderstood I want to emphasize that I do not mean that the community at large has recognized that other machinery must be established for the protection of the consumer. I do mean that there has existed, within the leaders of the New Deal, a general recognition of the fact that the consumer must be protected. This consciousness has been gradually spreading across the country. It is most clearly apparent when some employee of one of the consumer agencies within the New Deal talks with his constituents whose immediate question is "Well, what has been done for the protection of the consumer under the New Deal?" It is this question which evidences a slow recognition of the fact that something needs to be done and that what has been done is entirely inadequate. Let us recognize immediately the inadequacy of what has been done. Let us also consider the extent to which something has been done.

It seems to me that the most clear-cut evidence of the existence of a general consumer interest within the New Deal is found in the program of the Tennessee Valley Authority. Historically, the electric power industry has been recognized as a public utility. It has been under the jurisdiction of state commissions. The formulae under which these state commissions have functioned have been of such a character that only in rare instances has it been possible for them to adequately protect the consumer. There are a few instances such as the work of the Public Utilities Commission of the District of Columbia which has adopted a sliding scale devise whereby electric power and light rates have been progressively reduced as the earnings of the power company have increased. This sliding scale has been developed against a background of benefiting the consumer and the owner of the power company at the same time. But such activity by a public utility commission has been the exception, not the rule. The primary rule has been so to regulate the public utility that the owner may receive a fair return on a fair value of his property. I do not need to emphasize to this group the extent to which such a formula is inconsistent within itself and fails to take into account the consumer interest. Hence, I stress the fact that the program of an electric power rate "yard stick", such as is being worked out under the Tennessee Valley Authority, is a major recognition of the tremendous consumer interest involved in this particular industry. The effectiveness of this attach seems to be recognized on every hand, particularly, by the electric power companies. Furthermore, the activities of the Tennessee Valley Authority have not been

limited to this major recognition of the consumer interest in power rates. The Tennessee Valley Authority has recognized the consumer interest in many other ways. It has operated on the basic idea that its job was to build a fuller life for the people of the Tennessee Valley area. Hence, we have a broad interest in community developments. There is an attempt to develop sound housing programs, proper relationship between industries, the "proper" allocation of lands to industrial and housing purposes, the expansion of an educational program, the development of public health activities, and other activities too numerous to deal with at this time.

Some of you are probably saying to yourself at this point: "What does he mean by the 'consumer interest'?" Hence, I may well insert a statement of what I conceive the problem of the consumer to be. Stated most briefly, it is that most economic activity should be fundamentally concerned with creating goods and services for use. The extent to which the activities of the New Deal are directed toward the development of a society which will think in terms of the ultimate use to which goods will be put is the measure of its consumer mindedness. It is for this reason that I place the activities of the Tennessee Valley Authority first when I speak of the place of the consumer in the organization of the New Deal.

A second evidence of the consumer mindedness of the New Deal lies in its recognition of the problem of relief. In the past two years the community at large has become more aware of the tremendous unsatisfied needs of a large section of our population than at any other time in the history of the nation. I say this with due consideration. Nearly everyone is appalled as he faces the periodic release of figures from the Federal Emergency Relief Administration stating that there are 15 or 16 or 18 millions of people receiving Federal relief. At times we even become panicky as we face these figures. We wonder, "Who is going to pay for the continuation of relief?" The fact of the matter is, however, that apparently in the past we have had tremendous numbers who needed relief but whose need was never known or recognized either by the community at large or by the government, except in a very sporadic way.

In this instance it seems to me that probably the consumer approach to the problem has led us somewhat astray. We have perhaps conceived the problem too much in terms of the question, "What do these people need?" and have not thought sufficiently in terms of, "How can they get the things produced which they need?" I cannot, of course, develop this line of thought. For our purposes this morning the important thing is to recognize that the government in this case has been consumer-minded.

The third illustration of the recognition of consumer needs has been the steadily growing interest in the housing program. Here however, the government has been only dimly conscious of the housing need of the community. This need is the real consumer problem and the consumer approach to this problem has been relegated to the back-

ground. The problem of housing has been approached primarily from the standpoint of, "How can we stimulate business recovery?" To this motivation has been added that of giving people work. The emphasis has not been primarily on, "What kind of houses do people need?", or "How can the housing which people need be secured most easily?" The recognition of the consumer angle has been far more metamorphosed than in the case of the Tennessee Valley Authority.

Another evidence of the New Deal's interest in the consumer is the support given the cooperative movement. The act of Congress which made possible the establishment of cooperative production credit associations was a definite forward step. This evidence of the government's interest in the cooperative form of organization is bolstered by the President's Executive Order which provided that consumer cooperative organizations should not be discriminated against because of their cooperative form of organization under codes of fair competition approved by the National Recovery Administration. The Executive Order has been in a sense the Magna Charta of the consumer cooperative organizations under the National Recovery Administration as it was an official recognition by high authority that the New Deal had no intention of going back on the declaration of Congress and the actions of the community which has supported cooperative organizations over a long period of years.

There are three bureaus within the government which have carried the name "consumer" as part of their title. These are the Consumers Division of the National Emergency Council, the Consumers' Counsel of the Agricultural Adjustment Administration, and the Consumers' Advisory Board of the National Recovery Administration. Each has been concerned with a different phase of the consumer's problems.

The Consumers Division, focusing through the Adviser on Consumer Problems to the National Emergency Council has developed a program which has potentialities. A small group of approximately one hundred and fifty so-called 'county consumers councils' scattered over the country has been established. Those who formulated this program first thought in terms of a Consumers Council in every county in the United States. This would have involved something like three thousand councils. However, the sheer organizing task involved in such a program was enough to make anyone hesitate. Other reasons for questioning rested on the uncertainty of the character of the program to be developed by such councils. Furthermore, there is a basic hesitancy for even the government to organize groups of this character. What would be the nature of the pressures which they would develop? To what extent would they genuinely represent the consumer interest? What should their character be? Should they be groups chosen from various existing organizations such as labor unions, women's clubs, consumers cooperatives, farmer organizations, and organizations of industrialists? Or should they be chosen from a group of intellectuals who have some theoretical conception of what the consumer interest is?

The result of all this questioning has been the small group of councils which I have already mentioned. These councils were founded on an experimental basis. In some cases they consist of a small group of a half dozen people, picked from a community because of their recognized ability as representatives of the public interest rather than the interests of any existing organization. In other cases they consist of as many as twenty-five or thirty or forty individuals chosen as delegate representatives of existing community organizations. The program of these councils has been as varied as the individuals participating or represented.

To a certain extent the Consumers Division staff in Washington has guided the activities of the various Councils but usually the local group translates any suggestions from Washington into its own varieties of activity. Some groups have regarded themselves as primarily "Blue Eagle" enforcement agencies. Others have cooperated with the local Better Business Bureaus in an endeavor to correct dishonest advertising and display of merchandise. Still others have been interested in educating their members and the community to be more intelligent buyers. These groups are apt to be much concerned with adequate grading and labeling. Then there are other Councils who have regarded themselves as a price collecting and reporting agency for the Consumers Division. Some of this price reporting has been remarkably intelligent. Some of it has been lacking in an understanding of why the prices were being collected. Other Councils have endeavored to study the local conditions surrounding the production and marketing of milk, bread, coal and other commodities. Some of these groups have even gone so far as to make fairly comprehensive studies of the way these industries function in their local communities. Quite often the reports which come back to the Consumers Division of these activities are of great value in enabling those who are working with industrial situations created under the National Recovery Act to be better informed as to the way these governmentally sponsored programs are developing. Other reports have been equally valuable to the Agricultural Adjustment Administration.

There is still another line of activity which the Consumers Division is already exploring. There has never been any agency in the government which has brought together information existing in other government bureaus which is valuable to consumers. The Division is not looking for any job of running these various bureaus but it is concerned with bringing them closer to the community at large.

This whole program is so new that it is impossible at this early date to weigh its value. There are indications, however, that the lines of approach which have already been indicated are worth exploring still further.

The Consumers' Counsel of the Agricultural Adjustment Administration came into existence because it was recognized that the program of the Agricultural Adjustment Administration can be carried on adequately only if due consideration is had for the consumer. It was recognized that the processing tax method of financing benefit payments to farmers

for cooperation with the adjustment program was in major part a tax on the consumer for the benefit of farmer producers. This tax was justified on two grounds by the Administration. First that the farmers had in a sense been "taxed" for the benefit of consumers for over a decade. This tax had expressed itself in the very low price of farm commodities in relation to the prices for industrial goods. The second justification for the program was the conviction that the productive machinery of both agriculture and industry in the country at large would function more smoothly provided that a more equitable balance were established between the prices of industrial products and the prices of farm products. This economic justification was written into the Act in the so-called "parity price" principle. Most economists would undoubtedly question the validity of this or any other particular bench mark as a precise measure for establishing a smoother functioning economic organization. However, as a workable means of determining the direction in which a program should move it is probably not subject to severe criticism.

The Agricultural Adjustment Act also recognized the possibility of the pyramiding of processing taxes. One of the functions of the Consumers' Counsel was to see that the processing tax was not pyramided. However, the recognition of the consumer is implicit in the stated purposes of the Act which was to establish a balance between production and consumption of farm products. The latitude given the activities of the Consumers' Counsel of the Agricultural Adjustment Administration has rested on this broad statement of policy. The weaknesses of the Consumers' Counsel goes back to the fact that it is a part of an administrative agency concerned primarily with an agricultural production control program. The fact that the activities of the Consumers' Counsel have not received more vigorous criticism has always been a source of wonder to me. The only explanation for the mildness of this criticism has been the public attitude of the Secretary of Agriculture and the officials of the Agricultural Adjustment Administration, who, in both their official statements and their actions have indicated a genuine concern for the problems of the consumer and a frank recognition that pushing a restriction program too far would harm not only the consumer but also the producers of agricultural commodities.

The work of the Consumers' Counsel does not consist entirely of publicity activities. While its publication, the Consumers' Guide, has been generally recognized as a valuable addition to the sources of information regarding the Agricultural Adjustment Administration, and the detailed information regarding the movement of retail prices has been widely used, the other phase of the work of the Consumers' Counsel is not as spectacular or as well known. This has consisted of economic analysis of the functioning of the various phases of the agricultural program from the standpoint of the consumer and assisting in drafting and reviewing of marketing agreements. These agreements are somewhat akin to codes of fair competition. For example, the growers and shippers of citrus fruits agree to a regulation of the flow of fruit to the ultimate consumer. The Agricultural Adjustment Administration approves the agreement and provides a method for enforcing it on all participants.

The social validity of such an arrangement will have to depend ultimately on the economic analysis of the results of such agreements and their attendant licenses. The Consumers' Counsel has supported the position of the Agricultural Adjustment Administration that such arrangements should not become merely instruments for securing monopolistic advantages. It has insisted that such arrangements between the marketing groups should not be used to the disadvantage of the consumer or the farmer. If the consumer is to be adequately protected it should be protected it should be recognized that there should be no discrimination in favor of one group of farmers at the expense of another.

In a program which opens economic opportunities which can be taken advantage of by powerfully organized special interest groups the need for eternal vigilance is apparent.

The activity or seeming lack of activity of the Consumers' Advisory Board of the National Recovery Administration has at times been sharply criticized. It is, however, an interesting commentary on the attitude of the National Administration that under the Act which has been directed primarily with an eye toward the basic industrial groups of the country, the consumer should have been recognized at all. In weighing the Administration's attitude toward the consumer under the National Recovery Administration it is essential that we distinguish between the broad theory underlying the National Industrial Recovery Act and the activities carried on under the National Recovery Administration. The general theory behind the Act seems to have been one which is well known to economists, i.e., that under modern business conditions insufficient purchasing power was paid out by the business machine to enable the producers, acting as consumers, to buy back the goods which they have produced. Hence, by increasing wages while shortening hours, increased purchasing power would be in the hands of these producers as consumers thus enabling these individuals to buy back the products of their industry and start the upward spiral of business recovery. I am not concerned here with the soundness of this theory. I am concerned with the fact that it does contain an implicit recognition of the significance of the consumer since it is concerned with his purchasing power as an industrial worker. To attempt at this time to evaluate the extent to which this theory was carried into practice would be impossible. The fact that the warnings of the Consumers' Advisory Board, as far back as the early days of the National Recovery Administration, were sound warnings is a matter of history. The emphasis on the impractical character of many of the price fixing devices under codes of fair competition and the necessity for constant recognition of the consumer interest if the codes are not to become self-defeating agencies has become more and more evident.

The Consumers' Advisory Board has given most of its energy to a critical analysis of the various codes which have been approved by the National Recovery Administration. I think it is unnecessary to state that not all of these codes have received the approval of the Consumers' Advisory Board. Nevertheless the regulations of the

Administration require that the various staff members of the Consumers' Advisory Board shall participate in the negotiations and make available to the various deputy administrators who are directly in charge of the process of negotiating codes, the opinions of the Consumers' Advisory Board regarding the way in which any particular code will function. In the hurly burly of the early days of the National Recovery Administration, little attention was paid to the opinions of the consumer advisers. However, as time has gone on their counsel has been sought to an increasing extent. Today I think it is safe to say that no major decision is made by the National Industrial Recovery Board without the prior consultation and consideration of the views of the three Advisory Boards. I am not suggesting that the Consumers' Advisory Board even today approves all the actions of the National Industrial Recovery Board. I am equally certain that the Industrial Advisory Board and the Labor Advisory Board do not approve all of those decisions. Even with a staff which numbers thirty or forty advisers, it is impossible to touch on all phases of the work the Consumers' Advisory Board would like to cover. I simply wish to indicate the general character of the work which has been done. I shall leave to Dr. Thorp the more detailed analysis of this work.

This brings us to a consideration of the inherent nature of any program which has the consumer as one of its primary considerations. I suggest that in a business economy one of the first concerns of any consumer organization will have to be a concern about prices. There will have to be a consideration of price making mechanisms, the inter-relationship of prices within the price structure, the extent to which prices are fair from a consumer standpoint, that is to say, at a level which will enable consumers to buy, and so on.

The second major concern is with establishing the bargaining position of the consumer. Adequate and effective competition is important in this regard in some industries. In other industries, buyers' representation on code authorities would be helpful. In still others such as the electric power industry, public competition would be advantageous. Of prime importance is the establishment of adequate standards, and grades for consumer goods which will be labeled in such a way that the consumer can know what he is buying. The program for developing such standards and labeling has received some slight impetus from the work of the various consumer agencies in the government and the friendly attitude of the Administration itself.

The scope of the point of view which I have suggested as the genuine consumer attitude within the New Deal is still narrow. Whether it is to be broadened and take a more permanent place in the picture is too early to state. The opposition to its growth is apparent on every hand. Vested interests in the agricultural, industrial, commercial and financial fields have not become enlightened over night. As with the general development of the New Deal, the fate of the consumer movement lies in the hands of the great mass of people as they express themselves, both through their direct contacts with the government and

in their judgment on the New Deal at the polls. Whether governmental action in the interest of the consumer will be developed will be determined to some extent by what the present representatives of the consumer in Washington do. To a far greater extent it will be determined by what the country at large makes of the opportunities created for the consumer under the New Deal.

#

1875
The following is a list of the names of the persons who have been
admitted to the membership of the Society since the last meeting.
The names are given in alphabetical order.

1875

1875
1875
1875